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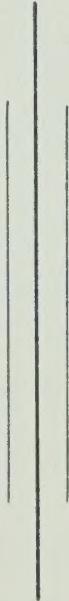
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Aqunew-Surpass

SHOE STORES LIMITED

BRANTFORD — ONTARIO

Acquired by GENESCO INC. 1962



THIRTY-FOURTH ANNUAL REPORT

FOR THE YEAR ENDED
MAY THIRTY-FIRST

1962

FINANCIAL FACTS IN BRIEF

	1962	1961	Increase or Decrease *
Total volume of business	\$17,396,618	\$17,300,588	\$ 96,030
Net sales (excluding inter- company sales)	16,816,984	16,686,457	130,527
Company contribution to employee insurance and profit-sharing plan	137,448	133,440	4,008
Total payroll	3,604,120	3,694,701	90,581 *
Depreciation on fixed assets	179,973	171,717	8,256
Net income (before taxes)	1,333,482	1,159,465	174,017
Income taxes	674,900	561,350	113,550
Net income (after taxes)	658,582	598,115	60,467
Net income per dollar as percentage of net sales	3.92%	3.58%	.34%
Earnings per common share .....	.163	.148	.015
Capital expenditures — manufacturing and retail	188,413	248,039	59,626 *
Dividends paid per common share .....	.72	.70	.02
Retained earnings	3,812,402	3,458,940	353,462
Net working capital	3,763,472	3,503,450	260,022
Number of employees	1,517	1,502	15
Number of common shareholders	1,063	1,152	89 *
Number of stores in operation	157	145	12

DIRECTORS

W. M. BLACKIE
Nashville, Tennessee, U.S.A.

J. L. EDMONDSON
Brantford, Ontario

H. H. GIBAUT
Quebec City, Quebec

R. F. WHITBY
Brantford, Ontario

K. R. GILLELAN
Brantford, Ontario

J. B. HOOVER
Saint John, New Brunswick

W. D. MUIR, B.Comm.
Quebec City, Quebec

OFFICERS

K. R. GILLELAN
President and General Manager

J. L. EDMONDSON
Vice-President

H. H. GIBAUT
Vice-President

R. F. WHITBY
Vice-President

J. C. WHITE, B.Comm., C.A.
Secretary-Treasurer

REGISTRAR AND TRANSFER AGENTS NATIONAL TRUST COMPANY LIMITED

BANKERS
BANK OF NOVA SCOTIA

AUDITORS

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants

DIRECTORS' REPORT

TO THE SHAREHOLDERS OF AGNEW-SURPASS SHOE STORES, LIMITED

Your directors are pleased to submit the thirty-fourth annual report of the company and its wholly owned subsidiary, consisting of consolidated balance sheet, statement of income and retained earnings for the year ended May 31, 1962, and comparison with the preceding year.

Total volume of business for the fiscal year ended May 31, 1962 was \$17,396,618. Sales, after eliminating inter-company transactions, amounted to \$16,816,984 compared to \$16,686,457 for the previous year.

Consolidated net income, before income taxes, amounted to \$1,333,482 in comparison with \$1,159,465 for the preceding year. Income taxes for the year amounted to \$674,900 compared with \$561,350 for the previous year. Consolidated net income, after provision for taxes on income, amounted to \$658,582 or \$1.63 per share on the common stock, compared with \$1.48 per share for the preceding year.

During the year, additions to fixed assets were made at a net cost of \$188,413, and of this amount \$4,769 was expended for replacement and modernization of manufacturing facilities and \$183,644 for new store fronts and fixtures.

Allowance for depreciation on fixed assets has been calculated at full rates in accordance with the company's normal procedure and amounted to \$179,973 compared with \$171,717 for the previous year. Store furniture and fixtures are being depreciated on the basis of 20% per annum on the reducing undepreciated balance with the result that depreciation is considerably greater during the early years of new store operations. Leasehold improvements are depreciated over the term of leases.

The first mortgage bond due January 1, 1962, in the amount of \$100,000 was paid on that date. One \$100,000 bond remains outstanding which will mature January 1, 1963.

Common dividends of \$290,120 were paid, consisting of four quarterly dividends totalling 72 cents per share. In the preceding year, common dividends paid amounted to 70 cents per share. The company has now paid ninety-two consecutive common dividends over a period of twenty-eight years.

At a meeting of the directors held on July 11, 1962, a dividend of 12 cents per common share was declared, payable July 31 next to shareholders of record as at the close of business July 19, 1962.

Current assets at the end of the fiscal year were \$5,733,078 and current liabilities were \$1,969,606, resulting in a net working capital of \$3,763,472, an increase of \$260,022 over that of the previous year, as summarized below;

Funds made available:

Net income for year	\$658,582
Add Depreciation (no cash outlay)	<u>179,973</u>
	\$838,555

Funds applied:

Additions to machinery, furniture and fixtures and improvements to leasehold properties (net)	188,413
Dividends	290,120
First mortgage bond payable January 1, 1963 included under current liabilities ..	<u>100,000</u> <u>578,533</u>
Increase in working capital	<u>\$260,022</u>

Under the profit sharing plan which was inaugurated eight years ago, together with employees' bonuses, the employees will participate in the distribution of \$97,750 of the year's profits.

There were 157 stores in operation at May 31, 1962. Fifteen new stores were opened during the year, located at Sydney and Halifax, Nova Scotia; Quebec City, St. Jerome and Montreal, Quebec; Toronto, Welland, Newmarket, North Bay, Belleville and Ottawa, Ontario; Portage la Prairie, Manitoba; Vancouver, Saanich and Burnaby, British Columbia. Eleven of these stores are in shopping plazas. The stores at Ottawa Street, Hamilton and Midland, Ontario and Brandon, Manitoba were closed. The leased department in the Grand River Discount Department Store, Galt, Ontario, opened in November 1961, was totally destroyed by fire eleven days later. Leasing arrangements have been completed for five new stores.

Directors' Report

(CONTINUED)

On September 28, 1961, Genesco, Inc., a Tennessee corporation, made an offer to the shareholders to purchase 260,000 common shares of Agnew-Surpass Shoe Stores, Limited which offer terminated November 1, 1961. More than 260,000 common shares were tendered by the shareholders and Genesco, Inc. completed the purchase of 260,000 common shares on November 7, 1961. As at May 31, 1962, Genesco, Inc., owned 64.5% of the outstanding common shares of your company.

Subsequent to the above, Genesco, Inc., has indicated it will make a further offer to purchase the remaining outstanding common shares of your company, the details of which will be forwarded to all our shareholders.

At the close of the year, there were 1,063 common shareholders. The company and its subsidiary have 1517 employees.

Your directors recognize that the development and growth which your company has enjoyed over many years have been achieved largely through the combined efforts of all the men and women who are a part of Agnew-Surpass and its subsidiary; to them goes much of the credit for the company's continuing progress. Again, it is the wish of your directors to express to all employees sincere appreciation of the team-work, co-operation and loyalty demonstrated by the personnel of your organization.

The accounts and records of the company have been audited by Thorne, Mulholland, Howson & McPherson, Chartered Accountants, Toronto, Ontario, and their report is presented herewith.

On behalf of the Board,

Brantford, Ontario

K. R. Gillelan

July 11, 1962

President.

AGNEW-SURPASS SHOE STORES, LIMITED
AND ITS WHOLLY OWNED SUBSIDIARY
THE JOHN RITCHIE COMPANY, LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
Year Ended May 31, 1962
 (With comparative figures for the 1961 fiscal year)

	<u>1962</u>	<u>1961</u>	Increase or Decrease *
Net operating income for year, after deducting remuneration of executives and legal fees (\$208,025 for 1962 and \$191,414 for 1961) but before the undernoted items	<u>\$1,521,687</u>	<u>\$1,344,389</u>	<u>\$177,298</u>
 Deduct:			
Taxes on income	674,900	561,350	113,550
Depreciation and amortization	179,973	171,717	8,256
Bond interest	7,932	12,907	4,975 *
Directors' fees (other than executives)	300	300	.....
	<u>863,105</u>	<u>746,274</u>	<u>116,831</u>
Net income for year	658,582	598,115	60,467
Retained earnings at beginning of year	3,443,940	3,127,886	316,054
	<u>4,102,522</u>	<u>3,726,001</u>	<u>376,521</u>
 Deduct Dividends on common shares	<u>290,120</u>	<u>282,061</u>	<u>8,059</u>
 Retained earnings at end of year	<u>\$3,812,402</u>	<u>\$3,443,940</u>	<u>\$368,462</u>

Consolidated Balance Sheet as at May 31, 1962

(With Comparative Figures as at May 31, 1961)

AGNEW-SURPASS SHOE STORES, LIMITED

ASSETS

	<u>1962</u>	<u>1961</u>	Increase or Decrease *
Current assets:			
Cash	\$ 17,657	\$ 15,440	\$ 2,217
Accounts and bills receivable, less allowance for doubtful accounts	633,205	701,575	68,370 *
Company common shares held by trustees for sale to employees	43,843	45,075	1,232 *
Merchandise inventories, at the lower of cost or market	4,969,677	4,892,018	77,659
Fire insurance deposits	17,846	17,243	603
Prepaid expenses	50,850	43,241	7,609
	5,733,078	5,714,592	18,486
Fixed assets, at depreciated values as appraised by Canadian Appraisal Company, Limited in 1928, with subsequent additions at cost (ex- cept for lasts, dies and patterns which are shown at nominal value):			
Land	71,985	71,985	.....
Buildings	336,984	336,984	.....
Plant, machinery, etc.	370,497	365,728	4,769
Furniture and fixtures	1,550,084	1,414,811	135,273
Improvements to leasehold properties	665,415	715,861	50,446 *
Lasts, dies and patterns	33,000	33,000	.....
	3,027,965	2,938,369	89,596
Less Accumulated depreciation	1,995,561	1,914,405	81,156
	1,032,404	1,023,964	8,440
	\$6,765,482	\$6,738,556	\$ 26,926

Approved: K. R. GILLELAN
Directors of Agnew-Sur-

AND ITS WHOLLY OWNED SUBSIDIARY
THE JOHN RITCHIE COMPANY, LIMITED
 Both incorporated under the laws of Canada

LIABILITIES

	<u>1962</u>	<u>1961</u>	Increase or Decrease *
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Current liabilities:

Bank loan and overdraft	\$ 136,897	\$ 450,242	\$313,345 *
Accounts payable	946,159	1,014,201	68,042 *
Accrued wages, bond interest and expenses	384,446	331,737	52,709
Income taxes payable	329,574	242,432	87,142
Dividend payable	72,530	72,530	.....
First mortgage bonds maturing within one year	100,000	100,000	.....
	1,969,606	2,211,142	241,536 *

First mortgage bonds, 5%:

Authorized, \$1,500,000 of which \$1,000,000 were issued as Series "A"

Outstanding:

Series "A", maturing January 1, 1963	100,000	200,000	100,000 *
Less Bonds maturing within one year included under current liabilities	100,000	100,000
	100,000	100,000 *

Fire insurance reserve

25,818	25,818
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Shareholders' equity:**Capital stock:****Authorized:**

10,984 cumulative 5 1/2 % preferred shares, redeemable at par value of \$10.00 each

600,000 common shares of no par value

Issued:

402,944 common shares	957,656	957,656	.....
Retained earnings	3,812,402	3,443,940	368,462
	4,770,058	4,401,596	368,462

Note:

Minimum annual rentals for leased property, excluding rentals based on percentage of sales and excluding payments for taxes and other expenses, total approximately \$533,000 for terms expiring more than five years from May 31, 1962.

\$6,765,482	\$6,738,556	\$ 26,926
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CONSOLIDATED ST

(With

Net operating income for year
 Remuneration of executives
 (\$208,025 for 1962)
 but before the underwriting fees

Deduct:

Taxes on income
 Depreciation and amortization
 Bond interest
 Directors' fees (other than audit fees)

Net income for year
 Retained earnings at beginning of year

Deduct Dividends on common stock

Retained earnings at end of year

H. H. GIBAUT
 s Shoe Stores, Limited

AUDITORS' REPORT

TO THE SHAREHOLDERS OF AGNEW-SURPASS SHOE STORES, LIMITED

We have examined the consolidated balance sheet of Agnew-Surpass Shoe Stores, Limited and its wholly owned subsidiary, The John Ritchie Company, Limited as at May 31, 1962 and the consolidated statement of income and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related consolidated statement of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the combined state of the affairs of the companies as at May 31, 1962 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants

Toronto, Canada,
July 6, 1962

TEN YEAR SUMMARY

AGNEW-SURPASS SHOE STORES, LIMITED AND ITS WHOLLY OWNED SUBSIDIARY

Year Ended May 31	Number of Stores in Oper- ation	Total Volume of Business	Net Sales	Net Income Before Taxes	Net Income After Taxes	Common Dividends Paid	Earnings Per Common Share	Dividends Per Common Share	Net Working Capital	Ratio of Current Assets to Current Debts
										(\$)
1953	105	\$12,535,200	\$11,329,431	\$1,078,377	\$585,981	\$492,396	\$201,472	\$1.18	\$0.50 (1)	\$2,510,386
1954	105	11,679,592	10,713,954	715,392	336,079	379,313	161,177	.88	.40	2,621,337
1955	108	11,531,476	10,638,500	683,066	316,340	366,726	161,177	.85	.40	2,704,974
1956	114	12,341,228	11,469,985	768,186	342,042	426,144	161,177	1.00	.40	2,859,742
1957	120	13,904,621	12,935,542	978,007	462,110	515,897	161,177	1.22	.40	3,065,022
1958	123	14,203,663	13,348,463	1,087,781	516,000	571,781	201,472	1.35	.50	3,288,272
1959	128	15,793,088	15,003,201	1,271,114	621,305	649,809	241,767	1.57	.60	3,135,401
1960	133	16,449,421	15,851,225	1,314,368	657,855	656,513	274,002	1.63	.68	3,363,718
1961	145	17,300,588	16,686,457	1,159,465	561,350	598,115	282,061	1.48	.70	3,503,450
1962	157	17,396,618	16,816,984	1,333,482	674,900	658,582	290,120	1.63	.72	3,763,472

(1) In addition, on December 1, 1952, a dividend of \$3.45 per common share was paid in 5½% preferred shares under the then-existing Section 95A of the Income Tax Act. On January 5, 1953, 70 per cent of the above-mentioned preferred shares were redeemed at par, and the remainder were redeemed at par on February 27, 1959.

Aqunew-Surpass

SHOE STORES LIMITED

CANADA'S LARGEST SHOE RETAILERS

BRITISH COLUMBIA — 5 Stores

Burnaby
 Brentwood
 Shopping Centre
 Middlegate
 Shopping Centre

New Westminster
 Saanich
 Town & Country Square

Vancouver

Calgary
 211 Eighth Ave.
 Calgary North Hill
 Plaza (2 stores)
 Chinook
 Shopping Centre

ALBERTA — 9 Stores

Lethbridge

Edmonton
 101st Street
 Shoppers'
 Park-Westmount
 Bonnie Doon Plaza
 Park Plaza

Moose Jaw
 Prince Albert
 Yorkton

SASKATCHEWAN — 7 Stores

Regina
 1847 Scarth St.
 Golden Mile Plaza

Saskatoon
 Birks Building
 Grosvenor Park
 Shopping Centre

Brandon
 Dauphin

MANITOBA — 5 Stores

Portage La Prairie

Winnipeg
 338 Portage Ave.
 Polo Park Plaza

ONTARIO — 89 Stores

Barrie
Belleville
 252 Front St.
 Belleville Plaza
Brantford
 166 Colborne St.
 18-22 Market St.
Brockville
Chatham
Fort Erie
Fort William
Hamilton
 79 King St. E.
 5 Market Square
 Greater Hamilton
 Shopping Centre
 Mountain Plaza
Kingston
 174 Princess St.
 Kingston Plaza
Kitchener
 74 King St.
 Kitchener Plaza
Leamington

Lindsay
London
 226 Dundas St.
 Wellington Square
Merritton
 Penn Centre
Midland
Niagara Falls
 515 Queen St.
 1906 Main St.
 Town'n Country Plaza
North Bay
 146 Main St.
 Northgate
 Shopping Centre
Orillia
Oshawa
 25 Simcoe St.
 Oshawa Plaza
Ottawa
 Billings Bridge Plaza
 Carlingwood Plaza
Peterborough

Port Arthur
Port Colborne
Sault Ste. Marie
Simcoe
Stratford
Sudbury
 80 Durham St.
 48 Elm St.
 Sudbury Plaza
St. Catharines
 163 St. Paul St.
 St. Catharines Mall
St. Thomas
Welland
 35 Main St.
 Shopping Centre
Whitby
Windsor
 1356 Ottawa St. E.
 357 Ouellette Ave.
 Dorwin Plaza
 Yorktown Square
Woodstock

OPERATING 157 STORES COAST TO COAST

TORONTO DISTRICT

952 Bloor St. W.	1232 St. Clair Ave. W.	Golden Mile Plaza
2980 Bloor St. W.	1933 Weston Road	(2 stores)
505 Danforth Ave.	232 Yonge St.	Hopedale Plaza
686 Danforth Ave.	729 Yonge St.	Lawrence Plaza
2040 Danforth Ave.	1425 Yonge St.	Newmarket Plaza
2866 Dundas St. W.	4829 Yonge St.	Newtonbrook Plaza
2948 Dundas St. W.	Brampton	North Park
1895 Eglinton Ave. W.	Shopping Centre	Shopping Centre
813 Lakeshore Rd.	Cedarbrae Plaza	Richmond Heights Plaza
471 Parliament St.	Cloverdale Mall	Royal York Plaza
742 Queen St. E.	Dixie Plaza	Thorncliffe Market Place
1486 Queen St. W.	Dufferin Plaza	York Plaza
992 St. Clair Ave. W.	Eastown Plaza	

QUEBEC — 15 Stores

Montreal District
Mainsonneuve Plaza
Normandie
Shopping Centre
Pont Mercier
Shopping Centre
St. Martin
Shopping Centre
Wilderton
Shopping Centre

Quebec City District
1184 St. John St.
878a St. John St.
La Canardiere
Shopping Centre
Place Laurier
Shopping Centre
Ste. Foy
Shopping Centre

Rouyn
69 Main St.
111 Main St.
St. Jerome
Shopping Centre
Thetford Mines
Shopping Centre
Val d'Or

NEW BRUNSWICK — 7 Stores

Bathurst
Fredericton
Newcastle

Moncton
701 Main St.
906 Main St.

Saint John
11 Charlotte St.

Fairview Plaza

Amherst
Antigonish
Dartmouth
25 Portland St.
Dartmouth Plaza
Glace Bay
Greenwood
Shopping Centre

NOVA SCOTIA — 17 Stores

Halifax
393 Barrington St.
251 Gottingen St.
Bayers Rd.

New Glasgow
New Waterford
North Sydney
Springhill
Sydney
281 Charlotte St.
Sydney Plaza

Truro
Windsor

PRINCE EDWARD ISLAND — 1 Store

Charlottetown

NEWFOUNDLAND — 2 Stores

St. John's

Corner Brook

